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76-1254
DD/A 76-4427
31 AUG 1976

MEMORANDUM FOR THE RECORD

SUBJECT: Program Evaluation at HUD

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1. On 27 August, [REDACTED] of DDA, and I visited Fred Eggars, Director of the Program Impact Evaluation Division, Office of Policy Development and Evaluation, Department of Housing and Urban Development. Our visit stemmed from a comment, made by Mr. Lynn of OMB at the 23 July Presidential management meeting with the heads of executive departments and agencies, that HUD's evaluation system was the best in the Federal Government. The discussion with Mr. Eggars lasted about two hours.

2. Mr. Eggars pointed out that Mr. Lynn, as HUD Secretary, had played a central role in designing the present program evaluation system at HUD, and naturally took pride in his handiwork. He, Mr. Eggars, expressed skepticism that the HUD approach, which draws upon great quantities of specific, verifiable data, could be used by an enterprise which can not really measure "output." We gave him some examples of output measures we do use but agreed that numerical tabulation of our accomplishments in many areas is difficult or impossible.

3. Who are the HUD evaluators? In addition to Eggars' Division, his Office contains a Division on Policy (formulation) which does not perform much evaluating, and a Division of Special Studies which does—an interdisciplinary team of economists, political scientists, urban studies and public administration specialists and the like, who fulfill short, rather ad hoc assignments (e.g., finding out why a given area is having trouble disposing of single family houses, or sending people into the field to get a quick look at a program in operation 6 months or less). Eggars' Division normally picks out several problems and spends 2-3 years on program impact analysis, using both staff people and external contractors. His Division—largely economists with quantitative skills—and the Division of Special Studies together contain about 20 professionals.

4. In addition, HUD Administration, under its own Assistant Secretary, regularly sends out performance evaluation teams to appraise the work of regional offices, and HUD Management, under another Assistant Secretary, also does some evaluating. A huge Inspector General group—about 150 people—spotlights important problem areas and turns up highly useful evaluation data (e.g., on "how we're giving out HUD's money"). And each of the Assistant Secretaries in charge of specific programs has an evaluation unit, but only one—Community Planning and Development—is very active. This unit, with 25 to 30 employees, works largely with survey methodology rather than model building techniques.

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5. All this effort serves a Department of some 15,000, of whom 4,000 are headquartered in Washington. As an interesting sidelight Mr. Eggars commented that his Division had been charged not only with evaluating, but with coordinating other evaluations done at HUD. To fulfill the second task he feels he would need many more personnel.

6. Mr. Eggars wanted us to understand that HUD evaluators work for the Secretary, not for Congress or OMB. If OMB wishes HUD to evaluate a program, the assignment of this task must be set forth in formal Budget letters signed by the President. In rare cases Congress dictates in legislation that it specifically requires a HUD evaluation. But as a general rule HUD evaluators operate in response to the Secretary's request or at their own initiative. And "we" at HUD set the time limit on each study.

7. Our host distinguished between "evaluations" and "recommendations." The former are widely disseminated within the Executive and Congressional Branches, whereas the latter, because of their sensitivity, are rather closely held within the Department. Neither evaluations nor recommendations, he pointed out, "drive" budget decisions at HUD.

8. He gave us a few samples to illustrate the type of evaluation performed at HUD. Attached are a bibliography of evaluation studies by his Division and that of Special Studies and his Division's work plan for the next two fiscal years. On the O/Comptroller reading table I have placed the Evaluation of the New Communities Program (128 pages), a draft Evaluation Report on the Role of FHA (166 pages), and a draft on the Tandem Plan (unnumbered pages). (Concerning the last, he remarked that his Division concluded that the Tandem Plan, designed to support the Federal mortgage market, was having no impact whatever on the market.)

9. The three CIA visitors left HUD feeling that the role of evaluation was clearly important in the Department's functioning. Much of HUD's reason for existence seems to be the administration, management, and evaluation of programs both formulated and carried out by others. The methods being used by Eggars' office are quite innovative--for example, "under cover" auditors will be used to evaluate the impact of HUD enforcement of equal opportunity legislation. And HUD uses contractors to propose and examine alternative types of evaluations as well as to perform studies in whole or in part.

10. We did not find any easy way to translate HUD's approaches into something CIA could use. For one thing, the manpower investment is a barrier. Moreover, a HUD-type program would involve far more DDCI-level intervention in the affairs of the Directorates than has heretofore been CIA practice. However, the Requirements and Evaluation Staff may be interested in reading the documents and discussing them with us. And the Comptroller can advise the DDCI that we have followed up on the matter.

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Analysis Group

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Attachments: As stated

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O/Compt:Resources Staff:AnG/[redacted] jes/6044 (31 Aug 76)

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FY 77 & FY 78 WORKPLAN
DIVISION OF PROGRAM IMPACT EVALUATION

FY 77 Activities

Three major program evaluations underway in FY 76 will continue in FY 77; these are the FHA Evaluation, the Community Development Block Grant Evaluation, and the Title VIII Evaluation. Two areas which received preliminary analysis in FY 76 will be expanded into major evaluations; these are the Federal Tax Treatment of Housing Evaluation and the Urban Fiscal Crisis Evaluation. Two new areas will be developed in FY 77; these are the Development of Housing Starts, Mortgage Credit Flow, and Urban Housing Models and an Evaluation of Federal Support of the Secondary Mortgage Market.

1. FHA Evaluation

- a) Background: The FHA Evaluation began in the summer of 1974 and was initially designed to examine the role which FHA should play in single-family mortgage insurance. The project has produced a series of research and policy papers leading up to an Evaluation Report in September 1975, the Single-Family Task Force Report in February, 1976, and the Future Role of FHA Paper. Work is continuing on the impact of FHA insurance in older, urban areas by examining the distribution of FHA activity by type of neighborhood and by program for a representative sample of cities.
- b) Scope of FY 77 Activity: Given the current consensus on an appropriate role for FHA in single-family insurance, evaluation in FY 77 should attempt to provide information to implement the single-family role and to help define a multi-family role.
- c) Projects:
 - 1) Default Loss Study: To assist in the development of a multiple-premium rate system for single-family insurance, this study expands previous default studies by (1) including data on the neighborhood in which the mortgage is written, (2) analyzing differences in the factors affecting default and default loss under different programs, and (3) using the analysis to explain the actual loss from default along with the occurrence of default. Except for the purchase of Census data, this work will be done using staff resources.
 - 2) Impact of FHA Insurance on the Cost of Capital in Older, Urban Areas: A question which was not resolved in earlier work is to what extent the provision of FHA insurance in older, urban areas improves the financing terms on transactions in those areas. The answer to this question

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determines the need for insurance in those areas and, together with the completed simulation work, will provide a more precise estimate of the order of magnitude of the long-run impact of FHA insurance on housing markets in older, urban areas. A representative sample of 10 cities has already been selected for this study. This work will be done under a competitively-awarded contract.

- 3) Underwriting, Loan Management, and Property Disposition Management Evaluation: Both the Single-Family Task Force Report and the Future Role of FHA Policy Paper request a review of FHA procedures to determine whether they are adequate to deal with the complementary role which FHA is assuming. This study would examine FHA single-family operating procedures -- both formal and informal -- from the underwriting through the property disposition stage to determine (1) in what stage the largest percentage of the insurance losses occur, (2) whether FHA procedures are consistent with the best techniques developed by the private industry, and (3) whether current procedures are adequate for the complementary role advocated for FHA. This work would be done under a competitively-awarded contract.
- 4) Analysis of Client Group Served by FHA Unsubsidized Multi-Family Activity: This study would examine a representative sample of Section 207 and Section 221(d)(4) mortgagors to determine why they chose to participate in these programs; what, in their opinion, is the nature of the trade-off between FHA and conventional financing; and how they differ from builders who use conventional financing. The sample would include projects from different stages of the credit cycle to determine how the nature of program participation differs over the cycle. This would be done under a competitively-awarded contract.

NOTE: Some other important information needed for developing a role for FHA in multifamily insurance is already available, namely, our comparison of FHA and conventionally financed multifamily units and several projections of the need for multifamily units. However, a thorough study of this issue is beyond present staff resources given other priorities. We have already given some thought to designing such an evaluation.

- 5) Impact of State Laws on FHA Single-Family Foreclosure Losses: The University of California at Berkeley under funding from NSF is completing a study of how state laws

affect the foreclosure process and foreclosures losses for conventionally financed loans. The study was originally to include an analysis of FHA loans but, because the Department was not involved in the project, the Privacy Act prevented the Department from providing necessary information to the contractor. This sole-source award would commission the contractor to complete the FHA analysis and relate the findings to those from the NSF study.

2. Community Development Block Grant Evaluation

- a) Background: The CDBG evaluation began early in CY 1975. The major staff projects are the CDBG formula analysis, the impact on urban redevelopment analysis, and the fungibility analysis. Reports on these projects will be available between August 1976 and March 1977. The first-round Brookings report will be available in final form in January 1977.
- b) Scope of FY 77 Activity: For the first half of FY 77 staff resources will be devoted to completing present work and relating these projects and the Brookings work to the forth-coming Congressional review of the program. In the second half of the year, staff resources will be directed to refining present work and researching important new areas of interest. The Brookings work will continue through FY 77 with a final report due in January 1978. In designing the work program described below we have assumed that an appropriate target date for generating and synthesizing new information for policy purposes would be March 1979.
- c) Projects:
 - 1) Extension of Fungibility Model Analysis: We should expand the fungibility model work because fungibility is likely to become a more important concern in the Block Grant program as recipients become more aware of the possibility and means of shifting funds and as program regulations change, because the level of effort provision will be less constraining the longer away the base period is, and because the Brookings methodology becomes less accurate the longer away the base period is. The model refinement can be done with staff resources but contract funds (competitively-awarded) may be required to construct a new data source. Any contract work would be done with FY 78 funds.
 - 2) Extension of Urban Redevelopment Work: Some follow-on to our current work on community impacts of CD activity will be desirable because of the Department's concern with the

maintenance and upgrading of the current stock and with the impacts of alternative allocations of local CD program funds on the housing stock. Following is a list of projects which will be useful in CD evaluation. This work will be performed mainly with staff resources.

a) Estimate impacts of government-facilitated consolidation of lots on marginal costs of construction (i.e., benefits of urban renewal projects on urban renewal sites).

1) For large-scale residential development

2) For commercial and office buildings, especially in and around the CBD.

(These would both use data on specific urban renewal projects. Some contractor assistance to acquire data might be required.)

b) Estimate impacts of all types of CD activities in adjacent neighborhood-areas on rentals or sale prices of dwelling units, on decisions to replace deteriorated structures, and on the nature of new construction.

3) Use OPDE models with individual property data (as from the annual housing survey).

4) Use OPDE models block or tract data (Census or R. D. Polk).

5) Use a generalization of the Urban Institute Model to incorporate neighborhood amenities for some of the model dwellings.

c) Aggregate land and housing market impacts of CD activities

6) Use OPDE models with county, city, or metropolitan area data (probably Census) to investigate aggregate removals and new construction of housing, and impacts on average housing values, rentals, and characteristics.

7) Use the Urban Institute Model as is, to investigate the effects of removing one or more dwellings on construction throughout a typical area.

8. Add the CBD to the Urban Institute Model, so that it estimates conversions between centrally-located residential and non-residential land use; apply the resulting model to analyze effects of removing centrally-located deteriorated residential units.

- 9) Develop a new OPDE model to evaluate choice of location for CD projects, as between central, largely non-residential areas and non-central, largely residential areas -- this would require study of the spatial structure of retail and wholesale trade and of CBD Office activities in metropolitan areas.

d) Housing Rehabilitation Study

- 10) Analyze data on costs and returns for properties which were (a) rehabilitated, (b) replaced, and (c) neither, to determine conditions under which each is economically most justifiable, and assess rehabilitation support under CDBG's and other programs.

In each case, a major objective will be to identify benefits and distributional impacts of alternative CD programs. A choice between numbers 3, 4, and 6 is now being made for major effort during the summer and fall. In addition, number 7 and possibly number 5 will be carried out. Number 10 will be combined with the evaluation for which CPD has requested contract funding support. We anticipate that there will be substantial interest in extending our research into one or more of the other topics during FY 77 but recommend deferring a specific choice until near the end of the current phase of CDBG research and evaluation. The FY 77 work could involve extending the work on neighborhood and market impacts (3-7) using alternative models or alternative data sources at a different spatial level, or developing research in the new areas of site consolidation benefits (1-2), or locational analysis (8-9), or several of these.

NOTE: This project subsumes the work listed in the FY 77 budget Presentation under "optimal housing stock maintenance."

- 3) Theories of Community Development Need: The current formula analysis defines community development needs statistically starting from certain a priori concepts as to what constitutes CD need. The formula analysis, the evaluation of the Block Grant program, and ultimately the entire policy formulation process for HUD would benefit from a more systematic analysis of what "community development need" is. This study will attempt to distinguish those aspects of community development need that reflect "individual" need from those that reflect "city government" need. This study, among

other things, would also investigate (1) how to classify various urban government activities, (2) how CD activities relate to urban housing markets, (3) how CD activities relate to urban economic growth, (4) how CD need varies between "growth cities" and "old urban core cities", and (5) how CD need varies with such factors as city size, rate of growth, and density. This study can be done with staff resources supported by small purchase order contracts.

NOTE: The existence of a substantial literature on optimal city size, urban growth, and urban poverty should facilitate this study. A complete answer to the question is not possible but a substantial refinement of our concept of community development may be possible.

A second step will be to relate these "theories of community development need," to the causes of the urban fiscal crisis. From this analysis, we will be able, for example, to determine whether or not there exists any basis for including measures of tax effort and fiscal capacity in the community development block grant formula, and to better define the HUD role in our "older, declining" cities.

- 4) Distributional Impact of CDBG Funds: The project would use contracted surveys in a sample of jurisdictions to determine where the programs are being carried out, where persons to whom services are provided reside, and hence what the neighborhood distribution of actual program impacts and benefits is, in typical cities. This issue will be examined by the Brookings Study; the additional work contemplated in this study would be performed only if the Brookings Study did not provide enough information. This work would require contract funding, either competitively awarded or an extension of the Brookings contract.
- 5) Expected-to-reside Evaluation: The expected-to-reside requirement probably will be the most frequent basis for rejecting CDBG applications. The impact of this requirement on the dispersal of low and moderate income families and on the overall performance of the program should be assessed and alternatives -- both to the current regulations and the requirement itself -- should be analyzed. This project will be performed in conjunction with the Division of Policy Development, the Division of Special Studies, and the Office of Economic Affairs, which has already begun work on this topic.

- 6) Extension of the Brookings Contract: Given the reasonable price for the substantial program information generated, we believe the Brookings Contract should be expanded for a third and perhaps fourth year particularly if major program changes are made in the next session of Congress. This would involve contract funding on a sole-source basis.

3. Title VIII Evaluation

- a) Background: Early in CY 1975 work was begun to develop a methodology for measuring the impact of HUD's Title VIII enforcement on equal opportunity in housing. This is a particularly difficult research problem for many reasons; one of the chief being that enforcement to be effective must have a deterrent effect which is broader than its direct impact and therefore difficult to measure. The audit has been selected as the approach most likely to provide useful information for assessing this program and contract services have been requested.
- b) Scope of FY 77 Activity: In FY 77 a pilot audit will be conducted and thoroughly evaluated, necessary adjustments will be made in the audit technique, 35 surface and 1 in-depth audits will be conducted, and preliminary analysis of the data will be carried out. Several complementary research efforts also will be undertaken.
- c) Projects:
 - 1) Fair Housing Evaluation Audits: The contract work should be completed and preliminary analysis of data undertaken in FY 77. The analysis will be done by staff, including consultant, resources.
 - 2) Analysis of Racial Price Differentials in Housing: This second approach to measuring the impact of HUD's Title VIII enforcement focuses on the differences in price per unit of services paid by minorities and non-minorities for housing. Data from the Annual Housing Survey will be used to construct hedonic price indices for 60 cities and to determine whether the race of the occupant is a significant variable in these regressions. The observed price differentials will then be regressed on the level of HUD enforcement activity and other key city variables to determine whether there is a systematic relationship between HUD activity and the size of the price differentials. This work can be done using staff resources.

- 3) Analysis of Interurban Differences in Segregation: Alternative methodologies for measuring the extent of racial segregation will be reviewed, particularly with respect to data availability, for possible use in analyzing the impact of HUD's Title VIII enforcement. If feasible this approach will also be implemented to assess HUD's activity from a different perspective, that is, against the criterion of reducing segregation.
- 4) Title VIII Complainant Follow-up: The pilot phase of the audit contract contains a survey of recent Title VIII complainants. In the case of complaints which were conciliated, we wish to determine whether or not the various conciliation efforts are perceived as being effective in eliminating the discriminatory housing practices and, if so, which types of conciliation agreements have been most effective. For these cases which were not conciliated, we wish to determine whether the complainants subsequently pursued their Title VIII rights privately in the courts or sought other assistance and, if not, why not.

If a representative sample of complainants can be located, then this survey will be replicated in additional sites to obtain generalizable information on this issue. This would involve an expansion of the audit contract.

4. Urban Fiscal Crisis Evaluation:

- a) Background: In the summer of 1975 we explored the use of published data to predict the occurrence of a fiscal crisis for major central cities and developed a simple model to explain the divergence between tax revenues and expenditures for large cities. In October a research agenda was formulated but the CDBG Evaluation required postponing this work.
- b) Scope of FY 77 Activity: The research agenda emphasized three areas for research: (1) issues specific to particular cities, (2) the impact of the business cycle on urban fiscal stability, and (3) the identification of long-run factors contributing to urban fiscal problems. We will emphasize the third area with work on the second or other areas as staff resources permit.
- c) Projects:
 - 1) Urban Fiscal Crises Issue Paper and Literature Review: Staff resources.

- 2) Causes of Urban Fiscal Crises: The earlier model indicated that the Baumol hypothesis (wages grow at a faster rate than productivity in the public sector) contributes to urban fiscal problems. This study would investigate the factors underlying wage inflation in the public sector, including union pressure, inelastic demand for public services, and increases in wages in the private sector. We would also examine the extent to which intraurban immobility results in a disproportionate share of the low-income population being located in the central city. Finally, the preliminary model would be expanded to consider other possible causes for urban fiscal problems. This model expansion work would be done with staff resources. Preliminary analysis of specific causes would be done with staff resources followed by more intensive contract (competitively awarded) work in FY 77 and FY 78.
 - 3) Combined Impact of Revenue Sharing Legislation on Larger, Core Cities: Information from evaluations of the various revenue sharing (both general and special) programs and proposals would be combined with the above analysis on the causes of the urban fiscal crisis in an effort to determine if there exists a fund-distribution bias against the larger, more fiscally-depressed urban centers. This study will compare the revenue sharing distributions with the categorical distributions under the predecessor programs. We want to determine if any of the frequently used or proposed formula variables are biased against large urban areas and the reasons for this bias. For example, does including poverty as a formula variable without an adjustment for cost of living substantially reduce the share of funds going to large, urban areas. We are also interested in the decrease in real dollars of aid going to larger cities since 1972 resulting from both a slow-down in the growth of Federal assistance and the rapid increase in the cost of living.
 - 4) Other possible projects: As staff resources permit, we would investigate the effect of national economic policies (employment and price movements) on the demand for and cost of local services and the local revenue base and examine possible future trends -- the decline in public school enrollment will probably free funds for other uses but this may be offset by possible current underfunding of pension programs.
5. Federal Tax Treatment of Housing Evaluation:
- a) Background: In the spring of 1976 we developed a preliminary evaluation workplan for assessing Federal tax policy towards housing. The workplan was formulated initially to analyze substituting a tax credit for the current deductibility of mortgage

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interest and property taxes but was expanded to encompass a wider range of policies such as a Federal property-tax circuit breaker.

- b) Scope of FY 77 Activity: We have recommended that work proceed at two levels: some short range analysis of specific alternatives to determine their immediate impact and longer-range work designed to clarify the full impact of tax policy on the housing market. Because tax policy will be a subject of continuing interest with respect to housing, the longer-range work should attempt to make significant advances in our understanding of this issue.
- c) Projects:
 - 1) Policy Issue Paper: There is a need to define Federal goals for tax expenditures with respect to housing, that is to identify a set of possible impact which are of interest to the Federal Government with an indication of their relative importance. This will be mainly a staff project with some outside support through small purchase order contracts.
 - 2) Equity Analysis: Various tax alternatives for single-family homeownership should be compared as to their effect on the distribution of income using either the Brookings model or the Urban Institute's TRIM model. Two alternatives which definitely should be analyzed are substituting a tax credit for the current deductibility of mortgage interest and property taxes and a Federal property tax circuit breaker. This would involve contract funding on a sole-source basis.
 - 3) Impact on Housing Demand and Tenure Choice: Purchase order contracts should be used to review existing knowledge on housing price demand elasticity and tenure choice models and to suggest improvements on existing work which would be directly applicable to this issue. Appropriate additional work should be funded out of the FY 78 and FY 79 budgets.
 - 4) General Equilibrium Analysis of the Impact of Tax Policy: An urban housing model such as the ring-model developed for FHA analysis or the Urban Institute Model should be used to simulate how the housing market adjusts to changes in the tax provisions for single-family housing. This could be done with staff resources supported by a small technical assistance contract with the Urban Institute. A purchase order contract should be used to solicit ideas for obtaining more precise estimates of the key parameters of the model, particularly the supply elasticity of housing.

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6. Development of a Housing Starts Model, A Mortgage Credit Model, and Urban Housing Market Models.

- a) Background: To investigate the impact of FHA activity in older, declining urban areas we funded the development of an urban housing market model and also compared its predictions with the Urban Institute Model. Our evaluation of the Tandem Plan required the development of several alternative housing starts models. The urban redevelopment work for the CDBG Evaluation required the development of another urban housing model.
- b) Importance of models: At the Departmental policy level, the first responsibility of program evaluation is to identify and obtain at least order of magnitude estimates of the costs and benefits associated with a general design. After this minimum necessary information is obtained program evaluation should attempt successively (1) to obtain more precise measures of costs and benefits, (2) to make these measurements sensitive to specific features of program design, and (3) to develop information to assist in program improvement. The initial problem -- identifying impacts and obtaining order of magnitude estimates -- invariably leads to general equilibrium type analysis where a behavioral model of the environment in which the program operates is developed and an attempt is made to determine how the environment will react when the policy or program is applied. Often this general equilibrium analysis is done qualitatively. However, the state of the art has advanced to the point that quantitative models can be used in three areas of particular importance to the Department. Therefore, we believe that these models should be made active within the Department and significant resources devoted to their continued development. The Office of Economic Affairs would also be actively involved in this work.
- c) Projects:
 - 1) Urban Housing Market Models: We have arranged for the transfer from the Urban Institute of the computer program and back-up data for the ring-model which was developed as part of the analysis of FHA impact on older, declining urban areas. We will shortly request an updated computer program and back-up data for the Urban Institute Model. When the urban redevelopment work for the CDBG evaluation is completed, we will make that model available for more general use.
 - 2) Mortgage Credit Model: We recommend the development of a model or models which links the mortgage market to other capital markets, which distinguishes between major types of mortgage lending institutions, and can differentiate between various Federal support activities particularly activities affecting

the secondary market. A similar model has been developed for the Canadian economy. The Office of Economic Affairs will fund an updating of the Hendershot model.

- 3) Housing Starts Model: We recommend the development of a model which explains housing starts given mortgage flows and certain cost, demographic, and demand variables exogenously. This work will build on the Tandem Plan analysis conducted by Ron Utt. A similar model has been developed under a HUD dissertation grant.

7. Evaluation of Federal Support of the Secondary Mortgage Market

- a) Background: The FHA evaluation explored the relation between FHA insurance and the secondary mortgage market and analyzed briefly two possible alternative support mechanisms: re-insurance and portfolio insurance. The Tandem Plan portion of the FHA evaluation attempted to measure the impact of the Tandem Plan on housing starts.
- b) Scope of FY 77 activity: In FY 77 the secondary market issue will be separated from the FHA work and become an independent evaluation.
- c) Projects:
 - 1) Mortgage Credit Model Analysis: The mortgage credit market model described above would be used to estimate the impact on the availability of mortgage credit of such Federal support programs as the Tandem Plan, GNMA mortgage backed securities, FNMA purchases and sales, and FHLBB advances.
 - 2) Portfolio Insurance Analysis: This study would examine the extent to which a portfolio insurance program would increase the availability of mortgage credit and the likely costs of such a program, both direct and indirect. This project would be done with staff resources.

FY 78 Activity

Four major program evaluations underway in FY 76 will continue in FY 77; these are the Community Development Block Grant Evaluation, the Title VIII Evaluation, the Federal Tax Treatment of Housing Evaluation, and the Urban Fiscal Crisis Evaluation. The modeling work begun in FY 77 will also continue in FY 78 but with a shift of emphasis from obtaining or developing models to maintaining and improving the models. New work will begin in four areas; these are: Section 8 Evaluation, a Flood Insurance Evaluation, a Study of Urban Sprawl, and an Evaluation of the Overall Impact of Government Programs on Community Development.

1. Community Development Block Grant Evaluation

- a) Scope of FY 78 Activity: Work would continue on projects indicated in FY 77.
- b) Projects:
 - 1) Extension of Fungibility Model Analysis: Contract funds will be set aside to support any additional data collection needed to estimate the model.
 - 2) Extension of Urban Redevelopment Work: This project and the evaluation request from CPD will be coordinated. The CPD contract funding request would be used as the data source for our work.
 - 3) Extension of the Brookings Contract: This would involve FY 78 contract funds.

2. Title VIII Evaluation

- a) Scope of FY 78 Activity: Analysis of the audit data will be completed and the price differential study will be completed. This work would be done by staff resources.

3. Federal Tax Treatment of Housing Evaluation

- a) Scope of FY 78 Activity: Efforts would be undertaken to increase our knowledge of the demand impact and the nature of the general equilibrium effects of alternative tax strategies.
- b) Projects:
 - 1) Impact on Housing Demand and Tenure Choice: On the basis of the staff analysis and the purchase order contracts undertaken in FY 77, contract resources (competitively awarded) would be used to improve tenure choice models and obtain more precise estimates of housing demand price elasticities.

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General Equilibrium Analysis of the Impact of Tax Policy:

On the basis of the staff analysis and the purchase order contract undertaken in FY 77, contract resources (competitively awarded) would be used to refine the estimates of key parameters used in the general equilibrium models.

4. Urban Fiscal Crisis Evaluation

- a) Scope of FY 78 Activity: More detailed analysis of specific causes of fiscal problems and of impact of revenue sharing programs on larger, urban areas would be undertaken with contract resources (competitively awarded).

5. Section 8 Evaluation

- a) Background: The Research and Demonstration Office is sponsoring an extensive Section 8 research, evaluation, and monitoring project. This project should provide useful information for both policy development and program operations purposes.
- b) Scope of FY 78 Activity: The OPDE work would identify key policy concerns, synthesize the ORD results and results from other sources as they relate to these issues, and conduct new research related to the key issues using the ORD generated data or other existing data.
- c) Projects:
 - 1. Data Collection: FY 78 funds will be set aside to support data collection for analysis of the Section 8 new construction program.

6. Flood Insurance Evaluation

- a) Background: No formal evaluation work has been done on this program previously.
- b) Scope of FY 78 Activities: This evaluation would focus on the rationale for the program and alternative responses to the problem.
- c) Projects:
 - 1) Policy Issue Paper: This study would consider such questions as: (1) to what extent are flood insurance and disaster relief completing programs, (2) why should insurance be provided publically rather than privately, and (3) what is the most productive long-term land use for flood prone areas and does the flood insurance promote that land use.

7. Study of Urban Sprawl

- a) Background: This study is intended to develop information on how HUD programs affect the pattern of urban growth. The Department conducts

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a number of programs which affect over-all patterns of land use in metropolitan areas, notably its mortgage insurance programs for single-family houses, regional planning through "701" grants, and its support of design efforts for new communities. In addition, local community decisions to use HUD grants to construct water and sewer facilities can have a major impact on the spatial character of urban expansion. The nature of the impacts in all of these areas is unclear but may well be of substantial magnitude. Accordingly, exploratory studies on a few policies affecting urban land use are proposed as well as a preliminary investigation of the optimal urban structure.

- b) Scope of FY 78 Activity: FY 78 efforts would attempt to determine what factors, including Federal programs, affect urban land use and how they influence operation of HUD programs. The work would be designed to assist the Department in anticipating urban growth problems, understanding better the impact of its programs, and determining the need for new program initiatives.

c) Projects:

- 1) Tax Incentives and Urban Land Use: The deductibility of mortgage interest, the deductibility of local property taxes, accelerated depreciation of multifamily dwellings, and other tax provisions affect the use of land for residential purposes, the maintenance and timely replacement of old structures, and the socioeconomic distribution of the urban population. The urban housing models would be used to explore the nature and extent of these impacts. This would complement work by the Office of Economic Affairs on how local policies affect urban land use.
- 2) Efficient Design of the CBD: This would be an economic, not an architectural, study. It would examine several CBD design alternatives with special emphasis on options which promote the horizontal movement of people between buildings to estimate the effect on costs for the office sector and subsequently on the structure of the urban area assuming renewal of the CBD as a growing employment center. This would require special modeling work which could be done with either staff or contract resources. If the modeling work suggests that some alternatives are clearly superior to others, then empirical work may be undertaken in FY 79.
- 3) Average Cost Pricing for Water and Sewer Extensions: This study would investigate the feasibility of estimating the income gain and land use implications if marginal cost pricing were employed and to propose specific schemes for more optimal pricing.

8. Overall Impact of Federal Programs on Community Development

- a) Background: This study would begin analysis on the broad but potentially very important question of how much support to community development is provided by the totality of Federal tax and expenditure policy. The study build on the definition of community development formulated in the CDBG Evaluation and the analysis of Federal support

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for "needy" cities in the Urban Fiscal Crisis Evaluation.

- b) Scope of FY 78 Activity: Our goal would be to define the perimeter of this issue and provide some initial analysis.
- c) Projects:
 - 1) Combined Impact of Revenue Sharing Legislation: Information from this project (Urban Fiscal Crisis Evaluation FY 77) will be combined with earlier staff work on the concept of community development to provide an initial estimate of Federal support. This work would be done with staff resources.
 - 2) Further Research Design: Staff resources would be used to explore the possibility of analyzing the contribution of various Federal programs designed to solve poverty problems to CD problems.

FY 77

FHA EVALUATION (\$450)

Impact of FHA Insurance on the Cost of Capital in Older, Urban Areas \$125

Underwriting, Loan Management, and Property Disposition Management Evaluation \$250

Analysis of Client Group Served by FHA Unsubsidized Multifamily Activity \$ 50

Impact of State Laws on FHA Single-Family Foreclosure Losses \$ 25

CDBG EVALUATION (\$30)

Purchase Orders to Help Define the Concept of Community Development Need \$ 30

TITLE VIII EVALUATION (\$150)

Title VIII Complainant Follow-up \$150

URBAN FISCAL CRISIS (\$100)

Causes of Urban Fiscal Crisis \$100

FEDERAL TAX TREATMENT OF HOUSING EVALUATION (\$100)

Analysis of Distributionary Impact of Tax Credit and Circuit Breaker Alternatives \$100

Purchase Orders to Investigate Impact on Housing Demand and Tenure Choice and General Equilibrium Analysis

FY 78

FHA (\$100)

Analysis of Client Group Served by FHA Unsubsidized Multifamily
Activity (cont.) \$100

Extension of Brookings CDBG Monitoring Project (cont.) \$300

Data Collection for Fungibility Analysis \$150

URBAN FISCAL CRISIS (\$250)

Causes of Urban Fiscal Crisis \$250

FEDERAL TAX TREATMENT OF HOUSING EVALUATION (\$200)

Impact on Housing Demand and Tenure Choice and General
Equilibrium Analysis \$200

SECTION 8 EVALUATION (\$200)

Data Collection \$200

EVALUATION STUDIES OF THE OFFICE OF THE ASSISTANT SECRETARY FOR POLICY
DEVELOPMENT AND RESEARCH

DIVISION OF SPECIAL STUDIES

Causes of Multifamily Defaults
(Staff Study, July 1975)

HUD-FHA Condominium: Their Future
(Staff Study, August 1975)

Disposition of Foreclosed Houses
(Staff Study, August 1975)

Coordination of Federal Planning Programs
(Staff Study, October 1975)

Allocation Issues in Section 701 Planning Grants
(Staff Study, October 1975)

Multifamily Property Disposition
(Staff Study, October 1975)

Housing Production with Non-Profit Sponsors
(Staff Study, November 1975)

Counseling for Delinquent Mortgagors
(Staff Study, November 1975)

Public Housing Operating Subsidies
(Staff Study, December 1975)

Title X: Retrospect and Prospect
(Staff Study, December 1975)

Consumer Reaction to Advance Disclosure of Settlement Costs
(Staff Study, December 1975)

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A. New Communities Evaluation

The Appreciation of Land in Reston and Springfield, Virginia;
1964-1974
(Unpublished, July 1974)

New Communities Evaluation Report
(Evaluation Report, April 1975)

B. FHA Evaluation

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(Unpublished, February 1975)

Traditional and Alternative Roles for FHA in the
Insurance of Default Risk -- An Introductory Analysis
(Unpublished, April 1975)

On the Efficient Subsidization of Borrower Costs
(Unpublished,)

The Causes of Decline in FHA's Section 203 Default
Insurance Program
(Unpublished, September 1975)

Comparison of the Market Served by FHA Unsubsidized
Multifamily Programs and by Conventionally Financed
Multifamily Units
(Unpublished, September 1975)

Evaluation Report on the Role of FHA
(Unpublished, September 1975)

Report of the Task Force on FHA Single-Family Mortgage
Default Insurance
(Unpublished, March 1976)

Urban Institute studies:

The Effects of FHA Activity in Older, Urban, Declining
Areas: A Review of Existing Related Analysis
(February 1975)

HUD Operating Data Relating to FHA Mortgage Insurance Activities
(July 1975)

FHA, Tenure Choice and Residential Land Use
(July 1975)

Urban Residential Land Use With Fixed Structures
(July 1975)

A Model of Neighborhood Change
(July 1975)

FHA Activity in Older, Urban Declining Areas:
Options for Evaluation Research
(July 1975)

FHA, Neighborhood Externalities and Urban Housing:
A Preliminary Report
(October 1975)

Simulating the Impact of Capital Cost Reduction With
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(February 1976)

FHA, Income Differentials and Urban Housing
(February 1976)

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(February 1976)

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Semer & Zimmerman studies:

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(October 1974)

The Changing Role of FHA Mortgage Insurance in the
Mortgage Market and the Secondary Market
(January 1975)

C. Urban Fiscal Crisis Analysis

A Comparative Statistical Analysis of Characteristics
Associated with City Financial Emergencies
(Unpublished, June 1975)

Unbalanced Urban Development: Issues Raised by
City Financial Emergencies
(Unpublished, July 1975)

Estimation of a Model of Fiscal Crisis
(Unpublished, August 1975)

D. Community Development Block Grant Evaluation

In-house studies:

Community Development Block Grants: A Tentative List of Issues
(Unpublished, January 1975)

Effectiveness of Citizen Participation in HUD Programs:
A Background Paper for the Evaluation of Citizen
Participation in the Community Development Block Grant Program
(Unpublished, September 1975)

A Background Paper for Review of CDBG Formula
(Unpublished, November 1975)

A Model of the Fiscal Substitution Effects of Community
Development Block Grant Funds
(Unpublished, January 1975)

Contractor study:

Determinants of State and Local Expenditures: An Annotated
Bibliography
(December 1974)

E. Section 23 Evaluation

A Cost-Effectiveness Study of Leased Public Housing
(Unpublished, March 1976)

F. Title VIII Evaluation

Contractor studies:

Design of a Study of Operational Methods to Measure the
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(June 1975)

Methodologies to Measure the Impact of Enforcement of
Title VIII of the Civil Rights Act of 1968
(July 1975)

The Effectiveness of Open Housing Laws: An Audit Evaluation
(July 1975)

Research Design for Impact Evaluation of Title VIII of the
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(July 1975)

Measuring Residential Decentralization of Blacks and Whites
(August 1975)

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